

ALTON TOWN, UTAH
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and
Town Council
Alton, Utah

MEMBERS:

CHAD B. ATKINSON
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
TODD B. FELTNER
BRENT R. HALL
TODD R. HESS
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Alton Town, Utah, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Alton Town's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of Alton Town, Utah, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2009, on our consideration of Alton Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC

December 18, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Alton Town we offer readers of Alton Town's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net assets) by \$1,884,013 at the close of the fiscal year.
- Total net assets (governmental & proprietary funds) decreased by \$16,139.
- In the General Fund, expenditures exceeded revenues by \$10,436.
- Total revenues from all sources were \$119,726 thousand which includes \$37,293 in revenue from the Water fund.
- Total long-term liabilities of the Town are \$446,457.
- At the end of the current fiscal year, unrestricted net assets for the Town's governmental and proprietary funds were \$54,419 and \$47,694 respectively.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the financial statements.

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's governmental and business type combined assets exceed liabilities by \$969,039 and \$914,974 respectively as of June 30, 2009 as shown in the following condensed statement of net assets.

	Statement of Net Assets	
	Governmental activities	Business-type activities
	2009	2009
Current and other assets	\$ 104,908	\$ 60,193
Capital assets	1,111,131	1,054,238
Total assets	1,216,039	1,114,431
Long-term liabilities outstanding	247,000	194,298
Other liabilities	-	5,159
Total liabilities	247,000	199,457
Net assets:		
Invested in capital assets, net of related debt	864,131	854,781
Restricted	50,489	12,500
Unrestricted	54,419	47,693
Total net assets	\$ 969,039	\$ 914,974

Governmental Activities

The cost of all Governmental activities this year was \$92,869. Overall governmental revenues totaled \$82,433. Capital and operating grants received from other governmental organizations provided none of the governmental activities revenues. Investment and other earnings totaled \$3,167.

The Town's programs include: general government, public safety, streets and highways, and parks and recreation. Total revenues for all governmental activities and the expenditures for each program are presented below.

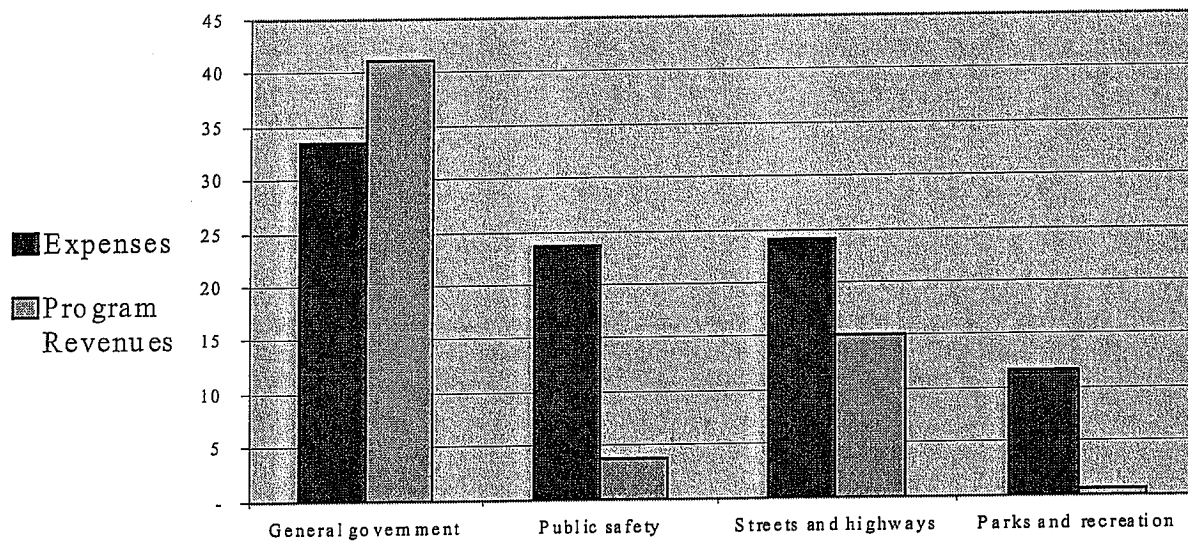
Changes in Net Assets

	Governmental activities	Business-type activities
	2009	2009
Revenues:		
Program revenues:		
Charges for services	\$ 14,552	\$ 22,448
Operating grants and contributions	15,074	-
Capital grants and contributions	11,724	14,100
General revenues:		
Taxes	37,407	-
Other	3,676	745
Total revenues	<u>82,433</u>	<u>37,293</u>
Expenses:		
General government	33,537	-
Public safety	23,588	-
Streets and highways	24,029	-
Parks and recreation	11,715	-
Water	-	42,996
Total expenses	<u>92,869</u>	<u>42,996</u>
Increase in net assets	(10,436)	(5,703)
Net assets, beginning	<u>979,475</u>	<u>920,677</u>
Net assets, ending	<u>\$ 969,039</u>	<u>\$ 914,974</u>

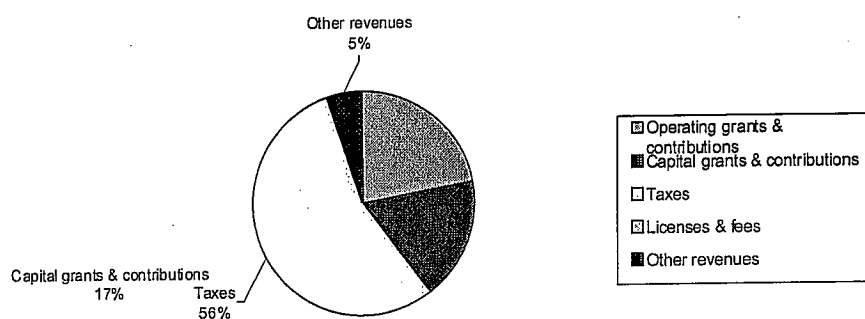
Total resources available at June 30, 2009 to finance governmental operations were \$1,884,013. This amount consists of net assets at July 1, 2008 of \$1,900,152 and a decrease to net assets of \$16,139 from fiscal year 2009 activity.

The following graphs compare program expenses to program revenues for this year and provide a breakdown of revenues by source for all governmental activities:

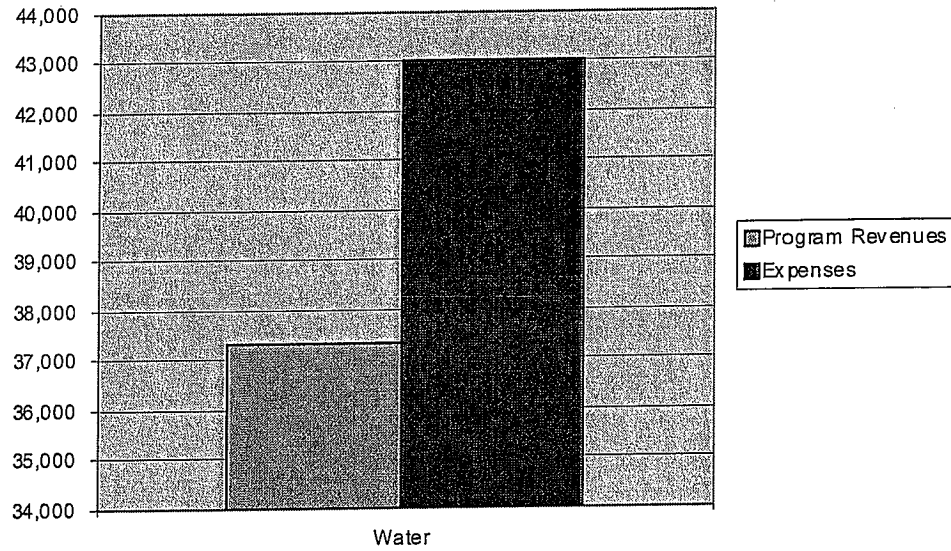
Expenses and Program Revenues - Governmental Activities
(in Thousands)



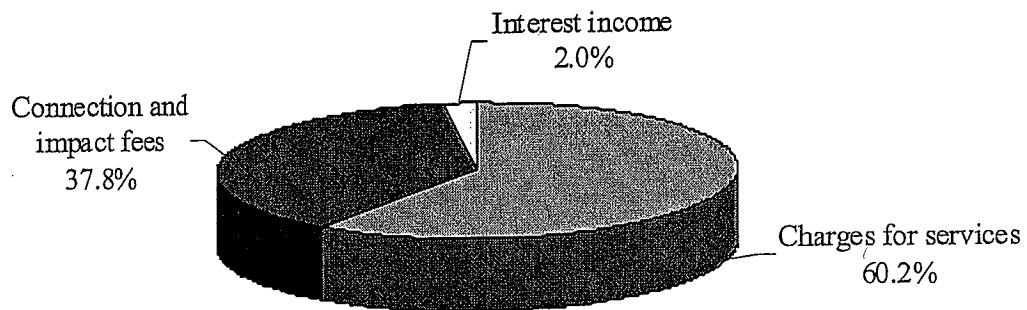
Revenue by Source - Governmental Activities



**Expenses and Program Revenues
Business - type Activities (in Thousands)**



Revenue By Source - Business-type Activities



BUDGETARY HIGHLIGHTS

Budget amendments and supplemental appropriations were made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions. Capital assets include land, buildings, improvements, equipment, vehicles, and furniture and fixtures. At the end of fiscal year 2009, the Town's net capital assets totaled \$2,165,369. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 5 to the financial statements).

Debt

At the end of fiscal year 2009, the Town's total government and proprietary-type debt outstanding was \$446,457. During the fiscal year, the Town's total debt decreased by \$13,101 (See note 7 to the financial statements for detailed descriptions).

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Town's fiscal year 2009 budget shows a decrease in revenue and expenditures from the fiscal year 2009 budget.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town, P.O. Box 100781, Alton UT, 84710.

BASIC FINANCIAL STATEMENTS

ALTON TOWN, UTAH
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 65,634	\$ 32,561	\$ 98,195
Receivables (net of allowance)	2,735	1,182	3,917
Internal balances	(13,950)	13,950	-
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	50,489	12,500	62,989
Capital assets (net of accumulated depreciation):			
Machinery and equipment	52,138	22,303	74,441
System	-	1,031,935	1,031,935
Improvements other than buildings	104,112	-	104,112
Buildings	954,881	-	954,881
Total assets	<u>1,216,039</u>	<u>1,114,431</u>	<u>2,330,470</u>
Liabilities			
Noncurrent liabilities:			
Due within one year	8,000	5,159	13,159
Due in more than one year	239,000	194,298	433,298
Total liabilities	<u>247,000</u>	<u>199,457</u>	<u>446,457</u>
Net assets			
Invested in capital assets, net of related debt	864,131	854,781	1,718,912
Restricted for:			
Other purposes	50,489	12,500	62,989
Unrestricted	54,419	47,693	102,112
Total net assets	<u>\$ 969,039</u>	<u>\$ 914,974</u>	<u>\$ 1,884,013</u>

The accompanying notes are an integral part of the financial statements.

ALTON TOWN, UTAH
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 33,537	\$ 13,952	\$ -	\$ 8,000	\$ (11,585)	\$ -	\$ (11,585)
Public safety	23,588	-	66	3,724	(19,798)	-	(19,798)
Streets and highways	24,029	-	15,008	-	(9,021)	-	(9,021)
Parks and recreation	11,715	600	-	-	(11,115)	-	(11,115)
Total governmental activities	92,869	14,552	15,074	11,724	(51,519)	-	(51,519)
Business-type activities:							
Water	42,996	22,448	-	14,100	-	(6,448)	(6,448)
Total business-type activities	42,996	22,448	-	14,100	-	(6,448)	(6,448)
Total primary government	\$ 135,865	\$ 37,000	\$ 15,074	\$ 25,824	\$ (51,519)	\$ (6,448)	\$ (57,967)
General Revenues:							
Taxes:							
Property taxes					18,252	-	18,252
Sales and use taxes					16,892	-	16,892
Fee in-lieu of taxes					2,263	-	2,263
Unrestricted investment earnings					3,167	745	3,912
Miscellaneous					509	-	509
Total general revenues and transfers					41,083	745	41,828
Change in net assets					(10,436)	(5,703)	(16,139)
Net assets - beginning					979,475	920,677	1,900,152
Net assets - ending					\$ 969,039	\$ 914,974	\$ 1,884,013

The accompanying notes are an integral part of the financial statements.

ALTON TOWN, UTAH
Balance Sheet
Governmental Funds
June 30, 2009

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Assets		
Cash and cash equivalents	\$ 65,634	\$ 65,634
Receivables	2,735	2,735
Restricted cash and cash equivalents	50,489	50,489
Total assets	<u>\$ 118,858</u>	<u>\$ 118,858</u>
Liabilities and fund balances		
Liabilities:		
Due to other funds	\$ 13,950	\$ 13,950
Total liabilities	<u>13,950</u>	<u>13,950</u>
Fund Balances:		
Reserved for class c roads	50,489	50,489
Unreserved:		
Designated for future years	54,419	54,419
Total fund balances	<u>104,908</u>	<u>104,908</u>
Total liabilities and fund balances	<u>\$ 118,858</u>	<u>118,858</u>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,111,131
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.		(247,000)
Net assets of governmental activities		<u>\$ 969,039</u>

The accompanying notes are an integral part of the financial statements.

ALTON TOWN, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	<u>General</u>	<u>Total Governmental Funds</u>
Revenues		
Property taxes	\$ 18,252	\$ 18,252
Sales and use taxes	16,892	16,892
Charges for services	11,437	11,437
Licenses, permits and fees	20	20
Intergovernmental revenue	18,798	18,798
Fees in lieu of property taxes	2,263	2,263
Interest income	3,167	3,167
Rental income	3,095	3,095
Donations and other	8,509	8,509
	<u>82,433</u>	<u>82,433</u>
Total revenues		
	<u>82,433</u>	<u>82,433</u>
Expenditures		
Current:		
General government	17,664	17,664
Public safety	182,182	182,182
Highways and streets	20,299	20,299
Parks and recreation	8,436	8,436
	<u>228,581</u>	<u>228,581</u>
Total expenditures		
	<u>228,581</u>	<u>228,581</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(146,148)</u>	<u>(146,148)</u>
Net change in fund balances	(146,148)	(146,148)
Fund balances, beginning of year	<u>251,056</u>	<u>251,056</u>
Fund balances, end of year	<u>\$ 104,908</u>	<u>\$ 104,908</u>

The accompanying notes are an integral part of the financial statements.

ALTON TOWN, UTAH
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2009

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (146,148)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	135,712
Change in net assets of governmental activities	<u>\$ (10,436)</u>

The accompanying notes are an integral part of the financial statements.

ALTON TOWN, UTAH
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 16,200	\$ 16,200	\$ 18,252	\$ 2,052
Sales and use taxes	14,000	14,000	16,892	2,892
Charges for services	6,100	6,100	11,437	5,337
Licenses, permits and fees	50	50	20	(30)
Intergovernmental revenue	15,050	15,050	18,798	3,748
Fees in lieu of property taxes	3,000	3,000	2,263	(737)
Interest income	3,500	3,500	3,167	(333)
Rental income	8,000	8,000	3,095	(4,905)
Donations and other	-	-	8,509	8,509
Total revenues	65,900	65,900	82,433	16,533
Expenditures				
Current:				
General government	25,500	25,500	17,664	7,836
Public safety	275,000	275,000	182,182	92,818
Highways and streets	20,299	47,000	20,299	26,701
Parks and recreation	13,200	13,200	8,436	4,764
Total expenditures	333,999	360,700	228,581	132,119
Excess (deficiency) of revenues over (under) expenditures	(268,099)	(294,800)	(146,148)	148,652
Net change in fund balances	(268,099)	(294,800)	(146,148)	148,652
Fund balances, beginning of year	251,056	251,056	251,056	-
Fund balances, end of year	\$ (17,043)	\$ (43,744)	\$ 104,908	\$ 148,652

The accompanying notes are an integral part of the financial statements.

ALTON TOWN, UTAH
Statement of Net Assets
Proprietary Funds
June 30, 2009

	<u>Water Fund</u>	<u>Total</u>
Assets		
Current assets:		
Cash	\$ 32,561	\$ 32,561
Receivables, net of allowance	1,182	1,182
Due from other funds	13,950	13,950
Total current assets	<u>47,693</u>	<u>47,693</u>
Noncurrent assets:		
Restricted cash	12,500	12,500
Capital assets:		
Machinery and equipment	34,139	34,139
System	1,209,048	1,209,048
Less: Accumulated depreciation	<u>(188,949)</u>	<u>(188,949)</u>
Total capital assets net of accumulated depreciation	<u>1,054,238</u>	<u>1,054,238</u>
Total noncurrent assets	<u>1,066,738</u>	<u>1,066,738</u>
Total assets	<u>1,114,431</u>	<u>1,114,431</u>
Liabilities		
Current liabilities:		
Current portion of bonds payable	<u>5,159</u>	<u>5,159</u>
Total current liabilities	<u>5,159</u>	<u>5,159</u>
Noncurrent liabilities:		
Bonds payable	<u>194,298</u>	<u>194,298</u>
Total noncurrent liabilities	<u>194,298</u>	<u>194,298</u>
Total liabilities	<u>199,457</u>	<u>199,457</u>
Net assets		
Invested in capital assets, net of related debt	854,781	854,781
Restricted for other purposes	12,500	12,500
Unrestricted	47,693	47,693
Total net assets	<u>\$ 914,974</u>	<u>\$ 914,974</u>

The accompanying notes are an integral part of the financial statements.

ALTON TOWN, UTAH
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	<u>Water Fund</u>	<u>Total</u>
Operating revenues:		
Charges for services	\$ 22,448	\$ 22,448
Total operating revenues	<u>22,448</u>	<u>22,448</u>
Operating expenses:		
Repairs and maintenance	912	912
Contract services	10,847	10,847
Insurance	207	207
Miscellaneous	968	968
Depreciation	<u>25,283</u>	<u>25,283</u>
Total operating expenses	<u>38,217</u>	<u>38,217</u>
Operating income (loss)	<u>(15,769)</u>	<u>(15,769)</u>
Nonoperating revenues (expenses):		
Connection and impact fees	14,100	14,100
Interest income	745	745
Interest expense	<u>(4,779)</u>	<u>(4,779)</u>
Total nonoperating revenues (expenses)	<u>10,066</u>	<u>10,066</u>
Income before contributions and transfers	<u>(5,703)</u>	<u>(5,703)</u>
Change in net assets	<u>(5,703)</u>	<u>(5,703)</u>
Total net assets, beginning of year	<u>920,677</u>	<u>920,677</u>
Total net assets, end of year	<u><u>\$ 914,974</u></u>	<u><u>\$ 914,974</u></u>

The accompanying notes are an integral part of the financial statements.

ALTON TOWN, UTAH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	<u>Water Fund</u>	<u>Total</u>
Cash flows from operating activities:		
Cash received from customers, service fees	\$ 23,851	\$ 23,851
Cash paid to suppliers	(12,934)	(12,934)
Net cash flows from operating activities	<u>10,917</u>	<u>10,917</u>
Cash flows from capital and related financing activities:		
Principal payments on bonds	(13,101)	(13,101)
Interest paid	(4,779)	(4,779)
Connection and impact fees	14,100	14,100
Net cash flows from capital and related financing activities:	<u>(3,780)</u>	<u>(3,780)</u>
Cash flows from investing activities:		
Interest on investments	<u>745</u>	<u>745</u>
Net change in cash and cash equivalents	7,882	7,882
Cash and cash equivalents, beginning of year	<u>37,179</u>	<u>37,179</u>
Cash and cash equivalents, end of year	<u><u>\$ 45,061</u></u>	<u><u>\$ 45,061</u></u>
Reconciliation of operating income to net cash flows from operating activities:		
Net operating income (loss)	\$ (15,769)	\$ (15,769)
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities		
Depreciation/amortization	25,283	25,283
Changes in operating assets and liabilities:		
(Increase) Decrease in receivables	<u>1,403</u>	<u>1,403</u>
Net cash flows from operating activities	<u><u>\$ 10,917</u></u>	<u><u>\$ 10,917</u></u>

The accompanying notes are an integral part of the financial statements.

ALTON TOWN, UTAH
Notes to the Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies

General

The financial statements of Alton Town, Utah have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the governmental-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity.

The accompanying financial statements include all activities of the Town.

ALTON TOWN, UTAH
Notes to the Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies, Continued

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The uses of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as expenditures. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

ALTON TOWN, UTAH
Notes to the Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies, Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, room taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The Water Fund is used to account for the provision of water services to the residents of the Town.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services.

ALTON TOWN, UTAH
Notes to the Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies, Continued

Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The Town's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables and Payables

All trade accounts receivables are shown net of an allowance for uncollectibles. However, currently the receivables are expected to be collected. Therefore, there is no allowance for uncollectibles currently on the financial statements. Due to the nature of the accounts receivable in governmental-type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented in the general fund.

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Also, the Town's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The Town has elected not to retroactively report its infrastructure capital assets.

ALTON TOWN, UTAH
Notes to the Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies, Continued

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	20-40 years
Machinery and equipment	5-10 years

Accrued Benefits and Compensated Absences

Alton Town has no employees, therefore, there is no accrued benefits or compensated absences.

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Use of Restricted Assets

When both restricted and unrestricted assets are available for use, it is the Town's policy to use restricted assets first, then unrestricted assets as they are needed; but reserves the right to be selective in the use of such restricted assets that best fit Alton Town's needs.

ALTON TOWN, UTAH
Notes to the Financial Statements
June 30, 2009

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Cost of capital assets	\$ 1,416,761
Accumulated depreciation	<u>(305,630)</u>
Total Difference	<u><u>\$ 1,111,131</u></u>

ALTON TOWN, UTAH
Notes to the Financial Statements
June 30, 2009

Note 2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 181,322
Depreciation expense	<u>(45,610)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental funds	<u><u>\$ 135,712</u></u>

Note 3. Stewardship Compliance and Accountability

Budgets and Budgetary Accounting

The Town Council observes the following procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the first meeting in May, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to June 22, the budget is legally enacted through passage of an ordinance.
- (4) The Mayor is authorized to transfer budgeted amounts within departments; however, to transfer budgeted amounts between departments requires Town Council approval. Any revisions that alter the total expenditures of any fund must be approved through public hearing by the Town Council and can be made at any time during the fiscal year.

ALTON TOWN, UTAH
Notes to the Financial Statements
June 30, 2009

Note 3. Stewardship Compliance and Accountability, Continued

The budget for the General Fund is prepared on the modified accrual method of accounting. Budgets for the Enterprise Funds are prepared on the accrual basis of accounting. Control is maintained between the Treasurer and Mayor. All appropriations lapse at year-end. Utah State law requires budgets to be prepared and reported on for the General Fund, and Major Special Revenue Funds. The General Fund budget was amended during the current fiscal year.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

Property Taxes

Property taxes are collected by the Kane County Treasurer and remitted to the Town in monthly installments. Taxes are levied and are due and payable on November 1 and delinquent after November 30 of each year at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes has not been made, as the amounts are not material in relationship to the financial statements taken as a whole.

Sales taxes are collected by the Utah State Tax Commission and remitted to the Town monthly.

Note 4. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

ALTON TOWN, UTAH
Notes to the Financial Statements
June 30, 2009

Note 4. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. As of June 30, 2009, none of the Town's bank balance of \$40,715 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

ALTON TOWN, UTAH
Notes to the Financial Statements
June 30, 2009

Note 4. Deposits and Investments, Continued

As of June 30, 2009 the government had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments' Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
State of Utah Public Treasurer's					
Investment Fund	\$ 121,112	\$ 121,112	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 121,112</u>	<u>\$ 121,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2009 the Town had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
State of Utah Public Treasurer's					
Investment Fund	\$ 121,112	\$ -	\$ -	\$ -	\$ 121,112
Total Fair Value	<u>\$ 121,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,112</u>

ALTON TOWN, UTAH
Notes to the Financial Statements
June 30, 2009

Note 4. Deposits and Investments, Continued

The Town's cash deposits and investments are summarized as follows:

Carrying amount of demand deposits and petty cash at State Bank of Southern Utah	\$ 40,072
State of Utah Public Treasurer's Investment Fund	<u>121,112</u>
Total cash and cash equivalents	<u><u>\$ 161,184</u></u>

The Town's cash deposits and investments are further summarized and presented in the financial statements at cost as follows:

	Total	Unrestricted	Restricted	Designated
General fund	\$ 116,123	\$ 65,634	\$ 50,489	\$ -
Water fund	<u>45,061</u>	<u>32,561</u>	<u>12,500</u>	<u>-</u>
Totals	<u><u>\$ 161,184</u></u>	<u><u>\$ 98,195</u></u>	<u><u>\$ 62,989</u></u>	<u><u>\$ -</u></u>

ALTON TOWN, UTAH
Notes to the Financial Statements
June 30, 2009

Note 5. Capital Assets

A summary of changes in fixed assets follows:

Governmental Activities:

	6/30/2008	Additions	Deletions	6/30/2009
Capital assets not being depreciated:				
Construction in progress	\$ 368,109	\$ 175,922	\$ 544,031	\$ -
Total capital assets, not being depreciated	<u>368,109</u>	<u>175,922</u>	<u>544,031</u>	<u>-</u>
Capital assets being depreciated:				
Buildings	666,400	544,031	-	1,210,431
Improvements other than buildings	121,377	-	-	121,377
Machinery and equipment	79,553	5,400	-	84,953
Total capital assets, being depreciated	<u>867,330</u>	<u>549,431</u>	<u>-</u>	<u>1,416,761</u>
Less accumulated depreciation for:				
Buildings	(226,491)	(29,059)	-	(255,550)
Improvements other than buildings	(12,016)	(5,249)	-	(17,265)
Machinery and equipment	(21,513)	(11,302)	-	(32,815)
Total accumulated depreciation	<u>(260,020)</u>	<u>(45,610)</u>	<u>-</u>	<u>(305,630)</u>
Total capital assets, being depreciated, net	<u>607,310</u>	<u>503,821</u>	<u>-</u>	<u>1,111,131</u>
Total capital assets, net	<u><u>\$ 975,419</u></u>	<u><u>\$ 679,743</u></u>	<u><u>\$ 544,031</u></u>	<u><u>\$ 1,111,131</u></u>

Depreciation expense was charged to the functions/programs of the Town as follows:

General government	\$ 15,873
Highways and streets	3,730
Parks and recreation	3,279
Public safety	<u>22,728</u>
 Total depreciation expense	 <u><u>\$ 45,610</u></u>

ALTON TOWN, UTAH
Notes to the Financial Statements
June 30, 2009

Note 5. Capital Assets, Continued

Business Type Activities:

	<u>6/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2009</u>
Capital assets being depreciated:				
Machinery and Equipment	\$ 34,139	\$ -	\$ -	\$ 34,139
Watery System	<u>1,209,048</u>	<u>-</u>	<u>-</u>	<u>1,209,048</u>
Total capital assets, being depreciated	<u>1,243,187</u>	<u>-</u>	<u>-</u>	<u>1,243,187</u>
Less accumulated depreciation for:				
Machinery and Equipment	(7,108)	(4,728)	-	(11,836)
Watery System	<u>(156,558)</u>	<u>(20,555)</u>	<u>-</u>	<u>(177,113)</u>
Total accumulated depreciation	<u>(163,666)</u>	<u>(25,283)</u>	<u>-</u>	<u>(188,949)</u>
Total capital assets, being depreciated, net	<u>1,079,521</u>	<u>(25,283)</u>	<u>-</u>	<u>1,054,238</u>
Total capital assets, net	<u><u>\$ 1,079,521</u></u>	<u><u>\$ (25,283)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,054,238</u></u>

Note 6. Risk Management

The Town maintains insurance for liability, auto liability, worker's compensation and employee dishonesty through Utah Local Government's Insurance Trust.

ALTON TOWN, UTAH
Notes to the Financial Statements
June 30, 2009

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2009:

	Balance 6/30/2008	Additions	Retirements	Balance 6/30/2009	Current Portion
Governmental Activities					
MBA Lease Revenue Bonds	\$ 247,000	\$ -	\$ -	\$ 247,000	\$ 8,000
Total governmental activities	247,000	-	-	247,000	8,000
Business-type Activities					
Revenue Bonds - Rural Development	111,558	-	10,101	101,457	2,159
Revenue Bonds - Community Impact Board	101,000	-	3,000	98,000	3,000
Total business-type activities	212,558	-	13,101	199,457	5,159
Total long-term liabilities	\$ 459,558	\$ -	\$ 13,101	\$ 446,457	\$ 13,159

Long-term debt for the Town is comprised of the following issuances:

Governmental Activities:

MBA Lease Revenue Bonds, Series 2007, which bears no interest. The bond is due in yearly installments of \$8,000 and a final balloon payment of \$15,000. The final payment, January 1, 2039, will consist of a balloon payment of \$15,000. The bonds have a maturity date of January 1, 2039.

\$ 247,000

Business-type Activities:

Rural Development, Series 1998, which has an interest rate of 4%. The bond is due in yearly installments of principal and interest of \$7,086 and maturing June 30, 2036.

101,457

Community Impact, Series 2005, which bears no interest. The bond is due in yearly installments of \$3,000. There is a balloon payment of \$23,000 due in the year of 2035. The bonds have a maturity date of June 30, 2035.

98,000

Total Business-type Activities

199,457

Total long-term liabilities

446,457

Less: current portion:

(13,159)

Net long-term liabilities

\$ 433,298

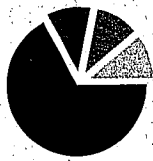
ALTON TOWN, UTAH
Notes to the Financial Statements
June 30, 2009

Note 7. Long-Term Debt, Continued

The annual requirements to amortize long-term debt outstanding at June 30, 2009, are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	8,000	-	5,159	4,927
2011	8,000	-	5,256	4,830
2012	8,000	-	5,358	4,728
2013	8,000	-	5,464	4,622
2014	8,000	-	5,575	4,511
2015 - 2019	40,000	-	29,720	20,713
2020 - 2024	40,000	-	38,344	17,088
2025 - 2029	40,000	-	42,859	10,469
2030 - 2034	40,000	-	48,486	8,171
2035 - 2039	47,000	-	13,236	1,474
Totals	<u>\$ 247,000</u>	<u>\$ -</u>	<u>\$ 199,457</u>	<u>\$ 81,533</u>

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS



**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and
Members of the Town Council
Alton, Utah

MEMBERS:

CHAD B. ATKINSON
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
TODD B. FELTNER
BRENT R. HALL
TODD R. HESS
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Alton Town, Utah, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Alton Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alton Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the following deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies in internal control over financial reporting:

- 08-02 Financial Statement Preparation
- 08-03 Segregation of Duties
- 08-04 Fraud Risk Management Program

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following deficiency described in the accompanying schedule of findings and recommendations to be a material weakness in internal control over reporting:

08-01 Material Adjustments

Compliance and Other Matters

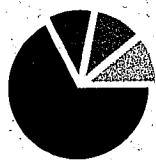
As part of obtaining reasonable assurance about whether Alton Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Alton Town's responses to the findings identified in our audit are described in the accompanying responses to the findings and recommendations letter. We did not audit Alton Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the mayor, management, the town council, and various state and other governmental agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER PLLC
December 18, 2009



**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
Members of the Town Council
Alton, Utah

MEMBERS:

CHAD B. ATKINSON
KRIS J. BRAUNBERGER
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TODD R. HESS
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MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Alton Town, Utah, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 18, 2009. As part of our audit, we have audited Alton Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2009. The Town received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included test work on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Liquor Law Enforcement
B & C Road Funds
Other General Compliance Requirements
Uniform Building Code Standards
Impact Fees and Other Development Fees

The management of Alton Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying schedule of findings and recommendations. We considered these instances of non-compliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Alton Town, Utah, complied, in all material aspects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2009.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
December 18, 2009



**Findings and Recommendations
For the Year Ended June 30, 2009**

Honorable Mayor and
Town Council
Alton Town, Utah

MEMBERS:

CHAD B. ATKINSON
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MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. During our audit of Alton Town, Utah for the fiscal year ended June 30, 2009, we noted a number of circumstances that, if improved, would strengthen the Town's accounting system and control over its assets. These items are discussed below for your consideration. We commend the Town and its staff for their attentiveness to controls and high ethical standards.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material Weaknesses:

08-01 Material Adjustments - Reissued

During our audit, we noted a number of significant adjustments that were not initially identified by the Town's internal control. SAS 112 indicates that the identification by the auditor of such a misstatement in the financial statements may be a material weakness in the Town's internal controls. The combination of this and adjustments related to other deficiencies noted below constitute a material weakness.

Recommendation

We recommend that management review and understand the adjustments proposed by the auditor. We also recommend that the Town develop a plan to ensure that all significant and material adjustments are posted to the general ledger before the annual audit takes place. The Town should continue to improve its internal controls to a level where they will at least identify material adjustments.

Significant Deficiencies:

08-02 Financial Statement Preparation - Reissued

SAS 112 indicates that it may be a significant deficiency in the Town's internal controls when the Town personnel do not have sufficient expertise to select and apply generally accepted accounting principles relating to financial statement preparation. It is our opinion that the Town possesses some of the necessary expertise. However, the Town does not appear to have established controls for oversight of the preparation of the financial statements to ensure their accuracy.

Recommendation

We recommend that the Town consider establishing procedures to ensure the accuracy of the financial statements such as; procedures for reviewing and approving the financial statements and footnotes, preparation of a disclosure checklist and other procedures considered necessary. We suggest that accounting personnel of the Town continue to acquire the necessary expertise; however, the Town should also consider the cost-benefit of acquiring such expertise.

08-03 Segregation of Duties - Reissued

We understand that the size of the Town and its administrative staff prohibit the complete and proper segregation of duties within its accounting functions; as a result, custody of assets, authorization of transactions, and recording functions are not properly segregated for the cash receipts and expenses/accounts payable functions. Management has implemented controls such as management's review of disbursements that mitigate this weakness such that it is not deemed to be a material weakness; however, such segregation of duties provide important safeguards and controls to ensure the proper recording, deposit and disposition of the Town's funds.

Recommendation

As the Town continues to grow and additional staff are considered necessary, we recommend that management consider ways that segregation of duties can be achieved within its accounting and administrative functions. We would be happy to assist the Town in the design and/or implementation of job descriptions and duties to properly achieve this segregation. We also recommend that management continue to monitor disbursements. The Town Council or audit committee should provide oversight by designating a council member or audit committee member to review the bank reconciliations each month. The Town Council or audit committee should also review a budget to actual financial statement on a monthly or quarterly basis to provide additional oversight.

08-04 Fraud Risk Management Program - Reissued

The Town has apparently not formally developed a fraud risk management program that is appropriate for the size and complexity of the Town, including identifying fraud risks and taking appropriate action to reduce or eliminate risks.

Recommendation

We recommend that the Town formally develop and adopt a fraud risk management program that is appropriate for the size and complexity of the Town, including identifying fraud risks and taking appropriate action to reduce or eliminate the risks.

Compliance Findings:

08-06 Impact Fees - Reissued

State law requires that the Town establish separate interest bearing ledger-accounts for each type of public facility for which an impact fee is collected; deposit impact fee receipts in the appropriate ledger account; retain the interest earned on each fund or account in the fund or account; and at the end of each fiscal year, prepare a report on each fund or account showing the source and amount of all monies collected, earned, and received by the fund or account, and each expenditure from the fund or account. We noted that the Town does not maintain separate interest bearing ledger accounts for impact fees as required and retain interest earned on each account in the fund or account.

Recommendation

We recommend that Alton Town create a separate interest bearing ledger account for each type of impact fee, and accumulate interest in those accounts as required by State Law.

Other Matters:

None noted

Responses

Please respond to the above findings and recommendations in letter form for submission to the State Auditor's office as required by State law.

Alton Town's written responses to the significant deficiencies and material weaknesses identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This letter is intended solely for the use of the Mayor, Town Council, management and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the Town this past year. We would like to express special thanks to each of you who assisted us in this year's audit. We invite you to ask questions of us throughout the year as you feel it necessary and we look forward to a continued pleasant professional relationship.

Sincerely,

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
December 18, 2009



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAS & ADVISORS

Other Items Communicated to Management For the Year Ended June 30, 2009

Honorable Mayor and
Town Council
Alton Town, Utah

During our audit of the funds of Alton Town for the fiscal year ended June 30, 2009, we noted a few other matters that we wish to communicate to management. These items have not been included with our findings and recommendations letter since they are only related to suggestions for improvements to accounting functions or they may be deemed to be less significant and/or management is aware of the findings and are working on resolutions.

Other Matters:

09-01 Interfund payables/receivables

When transferring monies between funds that are intended to be paid back, an intercompany receivable and payable is recorded in the appropriate funds. Interfund payables and receivables should be eliminated as quickly as possible. At the end of fiscal year 2008, an interfund receivable and payable were present. During the fiscal year 2009, no payments we made between the funds to reduce the receivable and payable.

09-02 Classification of bond payments

The bond amortization schedule will indicate each payment that is to be made and how much interest and principal will be paid on that payment date. If the payment is not an interest only payment, but rather a portion of the principal is reduced by the payment, we recommend that the interest and principal be reported separately.

Sincerely,

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
December 18, 2009

MEMBERS:

CHAD B. ATKINSON
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
TODD B. FELTNER
BRENT R. HALL
TODD R. HESS
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

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RICHFIELD • 159 NORTH MAIN ST., RICHFIELD, UT 84701
HURRICANE • 48 SOUTH 2500 WEST, STE. 200, HURRICANE, UT 84737
MESQUITE • 590 WEST MESQUITE BLVD., STE. 201, MESQUITE, NV 89027

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Claren Heaton

Mayor

December 31, 2009

Hinton Burdick

CPAs & Advisors

Cedar City, Ut 84720

This letter is in response to your letter of Findings and Recommendations.

Internal control over financial Reporting

08-01 The Town will review the proposals of the auditor and develop a plan to insure that all significant and material adjustments are posted to the general ledger prior to the next years audit.

08-02 The Town is continuing to upgrade the skills of its staff; because of our size we are unable to budget for training other than for the free training that comes the state and other organization.

08-03 Because of our size it is not possible to have complete segregation of duties in accounting matters; we do have a member of the council who reviews the monthly statements.

08-04 The Town is working to develop a fraud risk management program appropriate for our size.

08-06 The Town will setup a separate account for impact fees.

Alton Town appreciates the recommendations of our auditors.

Sincerely,

Claren Heaton

Mayor